

NEW JERSEY DIVISION OF TAXATION TECHNICAL BULLETIN

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OUTSIDE DIVISION X _____

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TAX: SALES AND USE TAX

**TOPIC: CREATION OF URBAN ENTERPRISE ZONE IMPACTED
BUSINESS DISTRICTS AND NEW URBAN ENTERPRISE
ZONES**

The New Jersey Urban Enterprise Zones Act, N.J.S.A. 52:27H-60, et. seq., was amended by P.L. 2001, c.347 to authorize the designation of Urban Enterprise Zone-impacted business districts. Urban Enterprise Zone-impacted business districts are economically distressed business districts classified by the Urban Enterprise Zone Authority (the "Authority") in the Commerce and Economic Growth Commission as having been negatively impacted by two or more adjacent Urban Enterprise Zones in which reduced sales tax is collected.

After the designation of a Zone-impacted district, for a business located within the district to participate in the program, the business must first be certified as a "qualified business." The business must submit an application to the local municipal coordinator on an Authority application form. The local coordinator verifies that the business is within the district and forwards the application to the Authority for review and approval. In deciding whether a business may be certified, the Authority considers whether the business will create new employment in the municipality containing the district, and not create unemployment elsewhere in the State (including that municipality). For more information on obtaining approval to be a qualified business, interested businesses should contact the local coordinator for their municipality.

To collect reduced sales tax, a qualified business must also complete a UZ-1 application for authority to collect tax at the reduced rate. If the qualified business is a retailer and exhibits and has an inventory of items for retail sale, and is not primarily a catalog or mail order business, the application is approved and a UZ-2 certificate is issued. No business may collect sales tax at the reduced rate without a currently effective UZ-2. Recertification of the UZ-2 is automatic, unless the business loses its "qualified business" status or changes ownership or form.

The only benefit provided to such qualified businesses in an Urban Enterprise Zone-impacted business district is the entitlement to collect sales tax at 50% of the regular sales tax rate; credits, incentives, programs or other benefits provided to

qualified businesses located within an Urban Enterprise Zone are not available to qualified businesses located within a Zone-impacted business district.

The benefit of collecting sales tax at a reduced rate applies to most taxable sales of tangible personal property. However, the receipts from sales of motor vehicles, trailers, alcoholic beverages, cigarettes and energy are taxable at the regular sales tax rate. The reduced rate cannot be collected on sales of services. If the charge for services is not separately itemized on the bill, a reduced rate vendor selling both services and personal property must charge the regular sales tax rate.

In addition, effective 4/1/02, these cities are eligible for the designation of a new Urban Enterprise Zone: 1) Bayonne City, 2) Roselle Borough, and 3) N. Wildwood City, Wildwood City, Wildwood Crest Borough and West Wildwood Borough (Joint Zone).

Once the Zones are designated by the Authority, businesses in the new Zones must obtain qualification from the Authority in order to be exempt from sales tax. In addition, before businesses can collect sales tax at the reduced rate, they must also complete a UZ-1 application and receive a UZ-2 certificate of authority to collect reduced sales tax.

After zone designation, qualified businesses in Wildwood, Wildwood Crest, and North Wildwood that file the ST-350 Cape May County Tourism Tax Return will continue doing so. If these businesses make sales of tangible personal property and have the UZ-2 certificate to collect 3% sales tax, they must also file the UEZ Sales Tax Return (UZ-50). Qualified businesses filing both returns will report all sales of room occupancies, admissions and meals and drinks and related deductions on the ST-350. All other categories of sales and related deductions must be reported on the UZ-50, although only sales of tangible personal property qualify for the UEZ reduced sales tax.

Finally, the new legislation has given the Authority the ability to extend the designation of an Urban Enterprise Zone in certain situations. The designation extension is made on a one-time only basis.

For more information, contact the Division's Customer Service Center at 609-292-6400, e-mail us at **taxation@tax.state.nj.us**, or write to:

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Many State tax forms and publications are available by fax and on our web site. Call NJ TaxFax at 609-826-4500 from your fax machine's phone, access the Division's home page at <http://www.state.nj.us/treasury/taxation/>, or call the Forms Request System at 1-800-323-4400 or 609-826-4400.